

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Verizon North Inc., Verizon South Inc. and)
NPCR, Inc., d/b/a Nextel Partners.)
) **02- 0259**
Joint Petition for Approval of)
An Agreement Supplementing Adopted Terms of)
an Interconnection Agreement pursuant to 47 U.S.C. § 252(a)(1) and 252(e))

VERIFIED STATEMENT OF QIN LIU

My name is QIN LIU and I am employed by the Illinois Commerce Commission as a Policy Analyst in the Telecommunications Division. I graduated from Northwestern University with PH.D in Economics, and my main area of specialization is Industrial Organization. One of my duties as a Policy Analyst is to review negotiated agreements and provide a recommendation as to their approval.

SYNOPSIS OF THE AGREEMENT

The agreement (“Agreement”) between Verizon North Inc., Verizon South Inc., (collectively “Verizon”) and NPCR Inc., d/b/a Nextel Partner (“Nextel”), dated June 14, 2001, is the first Amendment to the existing Interconnection Agreement (effective January 25, 2000) between the parties. This amendment adds and changes the language of the existing agreement between parties.

The changes will reflect changes in the Federal regulations. In the Order on Remand and Report and Order, *In the Matter of Implementation of the Local Competition Provisions In the Telecommunications Act of 1996, Intercarrier Compensation for ISP-Bound Traffic*, FCC 01-0131, CC Docket Nos. 96-98 and 99-69 (“ISP Order”), the FCC determined that Internet traffic is not subject to reciprocal compensation under section 251(b)(5) of the 1996 Telecommunications Act (“Act”), but excised its authority under section 201 of the Act to establish a transitional plan for intercarrier compensation for Internet traffic. In the transitional plan, the ILECs must exchange both the Internet traffic and 251(b)(5) traffic at the same rates, either at the rate caps established by the FCC in the ISP Order, or at the state-approved or state-arbitrated reciprocal compensation rates. This Amendment adds languages and rate plan for traffic subject to section 251(b)(5) of the Act, under which such traffic exchanged between Verizon and a local exchange carrier or CMRS will be subject to compensation at the same rate applicable to intercarrier compensation for Internet traffic under the terms of the ISP order.

The purpose of my verified statement is to examine the agreements based on the standards enunciated in sections 252(a)(1) and 252(e) of the 1996 Act. Specifically, this section states:

The State commission may only reject an agreement (or any portion thereof) adopted by negotiation under subsection (a) if it finds that: (i) the agreement (or portion thereof) discriminates against a telecommunications carrier not a party to the agreement; or (ii) the implementation of such agreement or portion is not consistent with the public interest, convenience, and necessity.

I APPROVAL UNDER SECTION 252(e)

A. DISCRIMINATION

The first issue that must be addressed by the Commission in approving or rejecting a negotiated agreement under Section 252(e)(2)(A) is whether it discriminates against a telecommunications carrier that is not a party to the agreement. Discrimination is generally defined as giving preferential treatment to the interconnecting carrier to the detriment of a telecommunications carrier that is not a party to the agreement. In previous dockets, Staff has taken the position that in order to determine if a negotiated agreement is discriminatory, the Commission should determine if all similarly situated carriers are allowed to purchase the service under the same terms and conditions as provided in the agreement. I recommend that the Commission use the same approach when evaluating this negotiated agreement.

A carrier should be deemed to be similarly situated to Nextel for purposes of this agreement if telecommunications traffic is exchanged between such a carrier and Verizon termination on each other's networks, and if such carrier imposes costs on Verizon that are no higher than the costs imposed by Nextel. If a similarly situated carrier is allowed to purchase the service(s) under the same terms and conditions as provided in this contract, then this contract should not be considered discriminatory. Evaluating the term discrimination in this manner is consistent with the economic theory of discrimination. Economic theory defines discrimination as the practice of charging different prices (or the same prices) for various units of a single product when the price differences (or same prices) are not justified by cost. See, Dolan, Edwin G. and David E. Lindsey, *Microeconomics*, 6th Edition, The Dryden Press, Orlando, FL (1991) at pg. 586. Since Section 252(i) of the 1996 Act allows similarly situated carriers to enter into essentially the same contract, this agreement should not be deemed discriminatory.

B. PUBLIC INTEREST

The second issue that needs to be addressed by the Commission in approving or rejecting a negotiated agreement under Section 252(e)(2)(A) is whether it is contrary to the public interest, convenience, and necessity. I recommend that the Commission examine the agreement on the basis of economic efficiency, equity, past Commission orders, and state and federal law to determine if the agreement is consistent with the public interest.

In previous dockets, Staff took the position that negotiated agreements should be considered economically efficient if the services are priced at or above their Long Run Service Incremental Costs (“LRSICs”). Requiring that a service be priced at or above its LRSIC ensures that the service is not being subsidized and complies with the Commission’s pricing policy. All of the services in this agreement are priced at or above their respective LRSICs. Therefore, this agreement should not be considered economically inefficient.

Nothing in this agreement leads me to the conclusion that the agreement is inequitable, inconsistent with past Commission Orders, or in violation of state or federal law. Therefore, I recommend that the Commission approve this agreement.

II IMPLEMENTATION

In order to assure that the implementation of the Agreement between Verizon and Nextel is in the public interest, Verizon should implement the Agreement by filing a statement with the Chief Clerk of the Commission within five days of approval by the Commission to verify that the approved Agreement is the same as the Agreement filed in this docket with the verified petition; the Chief Clerk should place the Agreement on the Commission’s web site under Interconnection Agreements. Such a requirement is consistent with the Commission’s Orders in previous negotiated agreement dockets and allows interested parties access to the

agreement. The following sections of Verizon tariffs should reference the Agreement between Verizon and Nextel with Telecommunications Carriers (ICC No. 21 Section 19.15).

For the reasons enumerated above, I recommend that the Commission approve this agreement pursuant to Section 252(e) of the Telecommunications